

# **State of Alaska FY2003 Governor's Operating Budget**

## **Department of Natural Resources Agricultural Development Budget Request Unit Budget Summary**

## **Agricultural Development Budget Request Unit**

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### **BRU Mission**

Promote and encourage development of an agriculture industry in the state.

### **BRU Services Provided**

The Director of Agriculture manages the following programs:

1. Agricultural Development provides services aimed at improving agriculture enterprises.
2. North Latitude Plant Materials Center providing basic support for Alaska agriculture through testing, production and development of plant materials.
3. Agricultural Revolving Loan Fund is an agricultural bank extending credit to borrowers based on their ability to repay.

The Division of Agriculture, in cooperation with industry representatives and at the direction of the Commissioner of the Department of Natural Resources, administers the Governor's agricultural policy for Alaska. The division seeks to create opportunities by providing consistency and stability in state agricultural programs. The agricultural assets owned by the division are managed to encourage privatization, maximize return to the state and promote economically viable development.

### **BRU Goals and Strategies**

- Initiate Governor's goals for agriculture at the division level.
- Prepare budgets and develop policies to allow for delivery of effective state government services to the agricultural industry in the state.
- Encourage employee efficiency and industry service.
- Maintain economic development opportunities for agricultural producers, processors, and marketers to use natural resources for sustainable agricultural production.
- Encourage division staff and industry leaders to identify and promote new markets for farm products, both in state and for export.
- Maintain industry liaison with other state, federal, and municipal government agencies to influence issues related to agricultural development in Alaska.
- Coordinate activities related to USDA agreements in marketing, produce inspection, plant material, agricultural statistics, Federal Seed Act, shell eggs, and phytosanitary certificates for exports.
- Work with the Department of Community and Economic Development on organic certification of wild Alaska fish by the United States Department of Agriculture. Work with organic vegetable farmers on approval of Alaska Fish fertilizer on the national approved list, and establishment of a State of Alaska certification program.
- Maintain cooperative services with USDA commodity control, insurance, conservation and lending agencies serving Alaska producers.
- Provide testing, production, development and distribution of plant materials to resource industries, meeting environmental requirements.
- Continue to develop a native seed industry.
- Assist the United States Department of Agriculture in the operation of the Arctic Germplasm Repository.
- Provide leadership and create opportunities for economic development.
- Host the 2002 (WASDA) Western Association of State Departments of Agriculture meeting.
- Initiate construction of a seed lab and quarantine station funded by the USDA.
- Coordinate, through the Natural Resource Conservation and Development Board, programs to obtain federal funding for agriculture related conservation and erosion control in Alaska.

### **Key BRU Issues for FY2002 – 2003**

Initiate and comply with legislative changes which sunset the Agricultural Revolving Loan Fund Board and created the Board of Agriculture and Conservation. Work with the new board to educate and inform of statutory responsibilities and assist with regulation preparation for implementation of the new law.

The Plant Materials Center is having a significant problem in recruiting and retaining Agronomists. The two most recent hires have resigned for better paying jobs or jobs offering more security. Other agronomist positions that have been advertised have either failed to get applicants or in the case of one position, it was declined after it was offered. The PMC faces two obstacles in recruitment, the talent and skills are not readily available in Alaska and the entry salary in the Agronomist series is not nearly high enough to recruit let alone retain qualified applicants. This dilemma is having an effect on the PMC's ability to carry forward with the programs being awarded from federal sources.

Lack of General Funds to perform services and responsibilities and continued use of Agricultural Revolving Loan Fund source creates a long-term negative impact on the ARLF program.

Simplified regulatory services, marketing services, lending programs, and cooperation with other agencies involved in resource development.

Make agricultural land available in various parcel sizes as dictated by regional and local demand for land sales, leases, and permits as funding allows. Emphasize selling previously sold land, returned to the state through foreclosure. It is important to resell these parcels before they re-grow and the clearing investment is lost.

Through land disposals provide soil and water resources to the private sector and lands that are suitable for agriculture in sufficient amounts to encourage viable enterprises.

The Plant Materials Center provides stability in seed and potato production. It is also the leading marketer of native seed. Reclamation in the north frequently requires difficult-to-obtain plants and development of unconventional revegetation methods. In addition, seedlings, work with vegetables, berries, and revegetation plants can provide opportunities for producers to compete successfully in the marketplace. Locally adapted high-yielding grain, seed and forage plants are in demand.

Inspection and marketing activities enable Alaska's agricultural products to be sold commercially. Individuals would not be able to market these items without the Division of Agriculture's assistance. Improvements can be facilitated with commodity commission or marketing order legislation to allow for producer input and control. We provide small-scale grants for commodity group promotion efforts.

Cooperative agreements with the USDA, Federal Seed Act, National Plant Board, Animal and Plant Health Inspection Service (APHIS) have continued to generate revenue. We expect to expand our service to the military, and grocery wholesalers and retailers statewide. Potential new programs are organic product certification, feed and fertilizer registration, as well as increased bee registration and brand program assistance.

### **Major BRU Accomplishments in 2001**

Finalized the transfer of the Palmer Trading Post and Warehouse to a private sector firm obligated to restore the buildings to National Historic Standards.

Implemented the Board of Agriculture and Conservation legislation.

Disposed of 6,445 acres of ARLF agricultural property and realized \$2.25 million return to the state.

Disposed of 5,080 acres of Title 38 agricultural property and realized \$1.38 million return to the state.

Offered a co-operative marketing program that helped producers make Alaska grown products more visible to the public. We assisted farmers in overcoming barriers in the Alaska marketing infrastructure by identifying barriers, providing consumer awareness and targeting specific markets.

Worked with the Department of Health and Social Services to expand the WIC Farmers Market Program and Senior Farmers Market Program.

Worked with the University of Alaska Fairbanks to produce a Marketing Alaska Action Plan for Potato and Vegetable Producers.

In cooperation with the Department of Corrections, Correctional Industries partially funded and accomplished Hazard Analysis and Critical Point (HACCP) program for the Mt. McKinley Meat and Sausage facility for United States Department of Agriculture mandatory compliance.

No late blight has been detected in Alaska potatoes for the past three years.

Provided a pest scout in cooperation with the University of Alaska Fairbanks.

Provided greater consumer availability of quality Alaskan grown products for market and export.

Worked with Retail Industry (Safeway) and growers to comply with Independent Third Party Audits required for certain crops before they can be sold to the retail industry. We identified a private sector provider for future years.

Monitored the state's investment in agriculture science and technology to protect and enhance the quality of Alaska's agricultural soils, seeds, plants, livestock, and associated products.

Secured federal funding to assist in developing a strong native seed industry.

Supplied essential plant materials, and new technology.

Decreased import of plant material poorly adapted to Alaska conditions.

Assisted in hosting Chinese and Taiwan delegations interested in Alaska agricultural products, including seed potato entry.

Secured federal grant funding for agriculture promotion activities will be used to increase consumer awareness.

## **Key Performance Measures for FY2003**

### **Measure:**

Plant Material Center - The number of improved crop accessions produced by the Plant Materials Center and grown in the state.

Sec 115(b)(2) Ch 90 SLA 2001(HB 250)

### **Alaska's Target & Progress:**

New crop collections grown on the PMC are 52 in initial stage, 12 in the intermediate stage and 14 in the final stage. Grown at the PMC Nursery are 18 in the research stage. Potatoes – 224 varieties are maintained on PMC soil, 86 varieties are in tissue culture, 44 varieties are in greenhouse production, and 104 varieties were sold to producers. Grain – 26 varieties.

The Plant Materials Center (PMC) documents field plantings and records planting sites. We also list sales and production in the annual report. The PMC tests and develops new crops for industry. We have an extensive program in new crop development. This is the basic purpose of the PMC. By doing demonstration projects, we market commercial production. By developing revegetation specifications, we market seed produced in Alaska. We are the state's repository for Alaska developed crops.

### **Benchmark Comparisons:**

There is no benchmark for this measure.

### **Background and Strategies:**

Seed production is a viable aspect of agriculture in Alaska. This includes both seed potatoes and true seed of grass and grain. The total value of seed production has not been achieved in the state. Demand continues to grow while supply is not keeping pace. This is an endeavor where competition from other areas can be non-existent.

We have two new large-scale commercial seed growers and distributed seed to eighteen, small-scale seed producers. We are on track with the missions and measures. However, hiring and retaining agronomists is a problem. Qualified people are not applying for the posted jobs and we lost one agronomist who left for a higher paying job. If this trend continues, it will be difficult to meet the missions and measures in the future.

**Measure:**

Agricultural Development - The percentage of total available agricultural acreage placed in production.  
Sec 115(b)(3) Ch 90 SLA 2001(HB 250)

**Alaska's Target & Progress:**

We are unable to report on the legislatively designated measure since statistics are not available to accomplish this as written.

There are currently approximately 910,000 acres of land in farms as reported by the USDA, NASS Alaska Ag Statistics. The 1992 Census of Agriculture, produced every five years, showed 927,415 Alaska acres in farms in 1992, and 881,045 acres in farms in 1997. The last reported number of 910,000 acres means that we are gaining back the acres lost between 1992 and 1997.

An increase of total acreage is the goal; however, population increase and encroachment on agricultural land make this a challenge.

**Benchmark Comparisons:**

There is no benchmark for this measure.

**Background and Strategies:**

We are unable to report on the legislatively designated measure since statistics are not available to accomplish this as written. We propose the following measure: The number of acres of agricultural land in farms.

Selling new land will be critical to continued agriculture development but will be difficult due to the investment required.

Because clearing land to place in production is a multiple year process this measure is difficult to quantify. Agricultural statistics are on a one-year lagging schedule over multiple budget cycles. Our disposals should show a net increase placed in production.

**Measure:**

Agricultural Development - The monetary value of agricultural products grown in the state that are sold domestically or exported.  
Sec 115(b)(4) Ch 90 SLA 2001(HB 250)

**Alaska's Target & Progress:**

1997 - \$28,468,000  
1998 - \$27,511,000  
1999 - \$28,352,000  
2000 - \$26,512,000  
2001 - Total not available

Over a five-year to ten-year period we would like to show an average increase of 2 to 3 percent. The national averages have struggled over the last five years to show any net increase. Because Alaska agriculture is still in a development phase we hope to show small annual increases.

The split between sold domestically and exported is not a readily available number. We are working on ways to get the value broken out as requested by the legislature.

**Benchmark Comparisons:**

The national averages have struggled over the last five years to show any net increase. Because Alaska agriculture is still in a development phase we hope to show small annual increases.

**Background and Strategies:**

The statistics are always one year behind the current year. We pull the number from Alaska Cash Receipts from Farm Marketing excluding the Aquaculture industry. USDA statistics are unable to track instate or export sales. We suspect exports are in the less than 1% range of total cash receipts.

We expect increases each year but the last three reporting years show this number can quickly change due to weather conditions, marketing factors, plant or animal disease, or other factors that affect our ability to assist the industry.

Adverse weather conditions in South Central and the Interior adversely affected the 2000 growing season; thus, the monetary value fell. Weather will always play a major factor in this measure.

**Agricultural Development**  
**BRU Financial Summary by Component**

*All dollars in thousands*

	FY2001 Actuals				FY2002 Authorized				FY2003 Governor			
	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds
<b><u>Formula</u></b>												
<b><u>Expenditures</u></b>												
None.												
<b><u>Non-Formula</u></b>												
<b><u>Expenditures</u></b>												
Agricultural Development	0.0	145.9	835.4	981.3	1.5	205.4	1,021.1	1,228.0	11.5	207.8	1,063.8	1,283.1
N. Latitude Plant Material Ctr	9.1	1,000.6	542.7	1,552.4	14.5	1,471.5	649.1	2,135.1	14.5	1,848.1	664.6	2,527.2
<b>Totals</b>	<b>9.1</b>	<b>1,146.5</b>	<b>1,378.1</b>	<b>2,533.7</b>	<b>16.0</b>	<b>1,676.9</b>	<b>1,670.2</b>	<b>3,363.1</b>	<b>26.0</b>	<b>2,055.9</b>	<b>1,728.4</b>	<b>3,810.3</b>

## Agricultural Development

### Proposed Changes in Levels of Service for FY2003

The Plant Materials Center – Alaska Seed Growers assistance program will coordinate seed production with the primary user (DOT/PF). Reliable availability has been a persistent problem for DOT/PF. By coordinating production with future design requirements availability problems will be resolved. Additionally the project will develop training programs for engineers and seed growers, provide on farm and project technical assistance assure maximum production and effective and efficient use of seed. \$350.0 is requested for first year of grant.

Soil and Water District activity in Alaska has increased and the Board requested an increase of \$10.0 GF.

The Land and Contract program is no longer funded through ARLF-funded CIP and IA. It is switched to the Land Disposal Income Fund in the FY03 budget.

## Agricultural Development

### Summary of BRU Budget Changes by Component

#### From FY2002 Authorized to FY2003 Governor

*All dollars in thousands*

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
<b>FY2002 Authorized</b>	<b>16.0</b>	<b>1,676.9</b>	<b>1,670.2</b>	<b>3,363.1</b>
<b>Adjustments which will continue current level of service:</b>				
-Agricultural Development	0.0	2.4	17.3	19.7
-N. Latitude Plant Material Ctr	0.0	26.6	15.5	42.1
<b>Proposed budget increases:</b>				
-Agricultural Development	10.0	0.0	25.4	35.4
-N. Latitude Plant Material Ctr	0.0	350.0	0.0	350.0
<b>FY2003 Governor</b>	<b>26.0</b>	<b>2,055.9</b>	<b>1,728.4</b>	<b>3,810.3</b>